

Message Text

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ACTION EB-08

INFO OCT-01 ARA-14 EUR-12 ISO-00 SSO-00 COME-00 AGRE-00

INRE-00 NSCE-00 USIE-00 SP-02 AID-05 NSC-05

EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03

CIAE-00 INR-07 NSAE-00 PRS-01 /081 W

-----070079 251922Z /47

O R 251835Z JUL 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 2949

INFO AMEMBASSY LONDON

AMEMBASSY BOGOTA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 6165

E.O. 11652: N/A

TAGS: EAGR ETRD BR

SUBJECT: BRAZIL ACCUSES NEW YORK COFFEE EXCHANGE OF CHANGING RULES IN
ORDER TO FORCE PRICES DOWN; STATE DEPARTMENT IMPLICATED IN
RULES CHANGE

1. GOB MINISTER OF INDUSTRY AND COMMERCE ANGELO CALMON DE SA AND
IBC PRESIDENT CAMILO CALAZANS STRONGLY CRITICIZED THE NEW YORK
COFFEE AND SUGAR EXCHANGE JULY 22 FOR "CHANGING THE RULES OF THE
GAME" IN ORDER TO BENEFIT SPECULATORS. THESE COMMENTS WERE FEATURED
PROMINENTLY IN ALL MAJOR BRAZILIAN NEWSPAPERS.

2. O ESTADO DE SAO PAULO OF JULY 23 QUOTED CALMON DE SA: SPEAKING
AT A SESSION IN THE FOREIGN MINISTRY, AS FOLLOWS: "(THE NEW YORK
COFFEE AND SUGAR EXCHANGE) CHANGED ITS RULES TO PREVENT MARKET
FORCES FROM DETERMINING COFFEE PRICES, AND THEREFORE IT ISN'T A
MARKET IN THE STRICT SENSE OF THE WORD ANYMORE BECAUSE IT PROHIBITED
THE FULFILLMENT OF DELIVERY CONTRACTS FOR THE CURRENT MONTH. COFFEE
IS IN SHORT SUPPLY, BUT IN ORDER TO FORCE PRICES DOWN THE EXCHANGE
'PLAYED DIRTY'. THIS, HOWEVER, WILL ONLY POSTPONE THE PROBLEM."
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3. ACCORDING TO THE JORNAL DO BRASIL OF JULY 23, CALAZANS SAID
THAT THE CHANGE IN THE EXCHANGE'S RULES WAS "ANTI-COMMERCIAL"
AND DEMONSTRATED THAT THE UNITED STATES NOW WANTED TO "DESTROY
THE COFFEE MARKET." THE IBC ALSO RELEASED AN OFFICIAL NOTE ON
THIS SUBJECT. THE TEXT OF THE NOTE WAS PUBLISHED IN THE JULY
23 O GLOBO; AN INFORMAL TRANSLATION FOLLOWS: "IN THE MEDIUM TERM,

NO MEASURE CAN BE ADOPTED WHICH WILL INCREASE THE AVAILABILITY OF COFFEE IN THE WORLD MARKET. THEREFORE, NEITHER THE ARBITRARY INTERVENTION IN THE NEW YORK COFFEE AND SUGAR EXCHANGE WHICH ABRUPTLY CHANGED THE RULES IN ORDER TO BENEFIT SHORT-SELLER SPECULATORS, NOR THE COMPLICITY OF ANY PRODUCING COUNTRY INTIMIDATED BY POLITICAL PRESSURES, NOR THE ACTIONS OF INTERNAL PRESSURE GROUPS IN BRAZIL WILL HAVE ANY EFFECT ON MODIFYING THE IBC POLICY OF DEFENDING COFFEE PRICES."

4. O GLOBO OF JULY 23 ALSO CITED UNIDENTIFIED SOURCES AS SAYING OPENLY THAT "THE EXCHANGE DID NOT ACT ALONE. THE STATE DEPARTMENT, WHICH WILL BE NEGOTIATING THE TERMS OF THE INTERNATIONAL COFFEE AGREEMENT IN LONDON IN 60 DAYS, IS BELIEVED TO HAVE SUGGESTED THESE RULES CHANGES TO THE EXCHANGE MANAGEMENT." GAZETA MERCANTIL OF JULY 23/25 ALSO HAD THIS STORY, BUT IT IDENTIFIED ITS SOURCE AS CALMON DE SA.

5. ACTION REQUESTED: EMBASSY EXPECTS TO BE QUESTIONED BY THE PRESS ABOUT THE LATEST RULE CHANGE IN THE NEW YORK COFFEE AND SUGAR EXCHANGE. PLEASE PROVIDE SOONEST A DESCRIPTION AND ANALYSIS OF THIS LATEST CHANGE. PLEASE ALSO PROVIDE ANY APPROPRIATE COMMENT WHICH EMBASSY COULD PROVIDE TO THE CHARGE THAT STATE DEPARTMENT SUGGESTED THE RULES CHANGES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REGULATIONS, COFFEE, MARKETS, ALLEGATIONS, PRICE FIXING
Control Number: n/a
Copy: SINGLE
Sent Date: 25-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRASIL06165
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770264-1280
Format: TEL
From: BRASILIA
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770724/aaaaauoo.tel
Line Count: 85
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 96d78264-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1764020
Secure: OPEN
Status: NATIVE
Subject: BRAZIL ACCUSES NEW YORK COFFEE EXCHANGE OF CHANGING RULES IN ORDER TO FORCE PRICES DOWN; STATE DEPARTMENT IMPLICATED IN RULES CHANGE
TAGS: EAGR, ETRD, BR, US, NEW YORK COFFEE & SUGAR EXCHANGE
To: STATE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/96d78264-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009